Steel Excel Inc.
Form 10-Q
May 10, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012 or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 0-15071

Steel Excel Inc.
(Exact name of Registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	94-2748530 (I.R.S. Employer Identification No.)
2603 CAMINO RAMON, SUITE 200, SAN RAMON, CALIFORNIA (Address of principal executive offices)	94583 (Zip Code)

Registrant's telephone number, including area code (408) 945-8600

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§

232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer o Accelerated filer x Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The number of shares of Steel Excel's common stock outstanding as of May 9, 2012 was 10,392,036.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Steel Excel Inc.
CONDENSED STATEMENTS OF OPERATIONS
(unaudited)

	Three-month Period Ended: March 31, 2012	April 1, 2011
	(in thousands, except per share amounts)	
Net revenues	$14,807	$-
Cost of revenues	9,063	-
Gross margin	5,744	-
Operating expenses:		
Selling, general and administrative	7,845	2,382
Restructuring charges	-	38
Total operating expenses	7,845	2,420
Loss from operations	(2,101)	(2,420)
Interest and other income (expense), net	(229)	5,332
(Loss) income from operations before income taxes	(2,330)	2,912
Provision for income taxes	(138)	(1,095)
Net (loss) income	(2,468)	1,817
Net loss attributable to non-controlling interest	$580	$-
Net (loss) income attributable to Steel Excel Inc.	$(1,888)	$1,817
Net (loss) income per share attributable to Steel Excel Inc.:		
Basic	$(0.17)	$0.17
Diluted	$(0.17)	$0.17
Shares used to compute (loss) income per share:		
Basic	10,891	10,880
Diluted	10,891	10,888

See accompanying Notes to Condensed Financial Statements.

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Steel Excel Inc.
CONDENSED BALANCE SHEETS
(unaudited)

	March 31, 2012	December 31, 2011
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$45,438	$ 8,487
Marketable securities	224,013	314,941
Accounts receivable, net of allowance of $0 and $80, respectively	11,586	4,660
Prepaid expenses and other current assets	3,455	2,055
Total current assets	284,492	330,143
Property and equipment, net	45,374	21,060
Goodwill	16,574	8,244
Intangible assets, net	19,273	5,786
Other long-term assets	3,481	3,444
Total assets	$369,194	$ 368,677
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$3,741	$ 1,841
Accrued and other liabilities	5,015	3,826
3/4% convertible senior subordinated notes	346	346
Total current liabilities	9,102	6,013
Other long-term liabilities	10,753	10,737
Deferred income taxes	-	30
Total liabilities	19,855	16,780
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock	108	108
Additional paid-in capital	171,564	171,539
Accumulated other comprehensive income	553	743
Retained earnings	177,191	179,079
Total Steel Excel stockholders' equity	349,416	351,469
Non-controlling interest	(77)	428
Total stockholders' equity	349,339	351,897
Total liabilities and stockholders' equity	$369,194	$ 368,677

See accompanying Notes to Condensed Financial Statements.

Steel Excel Inc.
CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

	Three-month Period Ended: March 31, 2012	April 1, 2011
	(in thousands)	
Cash Flows from Operating Activities:		
Net (loss) income	$(1,888)	$1,817
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Stock-based compensation expense	25	8
Depreciation and amortization	2,270	774
Impairment loss on long-lived assets	1,981	-
Deferred income taxes	166	-
Gain on release of foreign currency translation, net of taxes	-	(2,542)
Loss attributable to non-controlling interest	(580)	-
Changes in operating assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable	(6,926)	-
Prepaid expenses and other current assets	(1,417)	675
Other assets	(18)	(220)
Accounts payable	1,867	358
Accrueds and other liabilities	974	(2,384)
Net cash used in operating activities	(3,546)	(1,514)
Cash Flows from Investing Activities:		
Purchases of net assets in acquisitions	(48,131)	-
Purchases of property and equipment	(1,625)	-
Purchases of marketable securities	(198,630)	(96,254)
Sales of marketable securities	261,312	114,014
Maturities of marketable securities	27,500	36,612
Investment by non-controlling interest	75	-
Net cash provided by investing activities	40,501	54,372
Effect of foreign currency translation on cash and cash equivalents	(4)	246
Net increase in cash and cash equivalents	36,951	53,104
Cash and cash equivalents, beginning of period	8,487	38,276
Cash and cash equivalents, end of period	$45,438	$91,380
Supplemental Disclosure of Cash Flows		
Non-cash investing and financing activities:		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	$307	$(782)

See accompanying Notes to Condensed Financial Statements.

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Steel Excel Inc.
CONDENSED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)

	Three-month Period Ended: March 31, 2012	April 1, 2011
	(in thousands)	
Net (loss) income	$(2,468)	$1,817
Other comprehensive income (loss), net of taxes		
Net foreign currency translation adjustment, net of taxes:		
Foreign currency translation adjustment, net of taxes	5	152
Release of foreign currency translation gains, net of taxes	-	(2,542)
Subtotal	5	(2,390)
Net unrealized gain (loss) on marketable securities, net of taxes	307	(782)
Comprehensive loss	(2,156)	(1,355)
Comprehensive loss attributable to non-controlling interest	580	-
Comprehensive loss, net of taxes	$(1,576)	$(1,355)

See accompanying Notes to Condensed Financial Statements.

Steel Excel Inc.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. Description and Basis of Presentation

Description

Steel Excel Inc. ("Steel Excel" or the "Company") is primarily focused on capital redeployment and identification of new business operations in which it can utilize its existing working capital and maximize the use of the Company's net tax operating losses ("NOLs") in the future. The identification of new business operations includes, but is not limited to, the oilfield services, sports, training, education, entertainment, and lifestyle businesses. During the fiscal year ended December 31, 2011, the Company acquired two sports-related businesses and one oilfield services business. During the three-month period ended March 31, 2012, it acquired a second oilfield services business, and on April 30, 2012 entered into a definitive agreement to acquire a third oilfield services business. It currently operates in these two reportable segments, but may add others in the future depending upon acquisition opportunities to further redeploy its working capital.

Basis of Presentation

In the opinion of management, the accompanying Condensed and Consolidated Financial Statements ("Condensed Financial Statements") of Steel Excel and its wholly-owned subsidiaries have been prepared on a consistent basis with the December 31, 2011 audited financial statements. The Financial Statements have been prepared in accordance with the regulations of the Securities and Exchange Commission (the "SEC") and, therefore, omit certain information and footnote disclosures necessary to present the statements in accordance with accounting principles generally accepted in the United States of America and are considered unaudited and condensed. The December 31, 2011 Condensed Balance Sheet was derived from audited financial statements. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, which was filed with the SEC on March 13, 2012.

The Company's Condensed Financial Statements include the accounts of Steel Excel and its subsidiaries. All significant intercompany accounts have been eliminated in consolidation.

Reverse/Forward Stock Split

At the close of business on October 3, 2011, the Company effected a reverse split (the "Reverse Split") immediately followed by a forward split (the "Forward Split" and together with the Reverse Split, the "Reverse/Forward Split"). At the Company's 2011 annual stockholders meeting, its stockholders approved a proposal authorizing the Board of Directors (the "Board") to effect the reverse/forward stock split at exchange ratios determined by the Board within certain specified ranges.

The exchange ratio for the Reverse Split was 1-for-500 and the exchange ratio for the Forward Split was 50-for-1. As a result of the Reverse Split, stockholders holding less than 500 shares (the "Cashed Out Stockholders") were entitled to a cash payment for all of their shares. All remaining stockholders following the Forward Split (the "Remaining Stockholders") were also entitled to a cash payment for any fractional shares that they would otherwise have received. The cash payment that each Cashed Out Stockholder or Remaining Stockholder was entitled to receive was based upon such stockholder's pro rata share of the total net proceeds received in the sale of the aggregated fractional shares by the Company's transfer agent at prevailing prices on the open market.

All shares outstanding and per share information for the previous financial periods being reported have been adjusted to reflect the Reverse/Forward Split.

2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements

Our significant accounting policies have not changed from those presented in Note 1 to the Consolidated Financial Statements in the Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Effective January 1, 2012, the Company adopted the provisions of Accounting Standards Update, or ASU, No. 2011-05, Comprehensive Income (Topic 220) Presentation of Comprehensive Income, or ASU No. 2011-05, and began presenting the total of comprehensive income, the components of net income and the components of other comprehensive income in two separate but consecutive statements. The provisions of ASU No. 2011-05 are required to be adopted retroactively. As this guidance provides only presentation requirements, the adoption of this standard did not impact our results of operations, cash flows, or financial position.

There were no additional accounting pronouncements recently issued in the three-month period ended March 31, 2012, which are applicable to the Company or may be considered material to the Company. For a complete discussion of the impact of recent accounting pronouncements, please refer to Note 2 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

3. Acquisitions

On February 9, 2012, the Company acquired the business and assets of Eagle Well Services, Inc., which now operates as Well Services Ltd. ("Well Services") for an aggregate purchase price of $48.1 million in cash. Well Services engages in the business of workover rig well servicing, including down hole well maintenance and workover, down hole well repairs, well completions, well recompletions, well drill outs and clean outs, and well reentry. Well Services is included in the Company's oilfield services reporting segment.

The Company accounted for this acquisition as a business combination and the total cash consideration of $48.1 million has been allocated on a preliminary basis to the net assets acquired based on their respective estimated fair values at February 9, 2012 as follows:

	Amount (in thousands)
Property and equipment	$23,842
Intangible assets	14,300
Accrued expenses	(137)
Total net identifiable assets	38,005
Goodwill	10,126
Net assets acquired	$48,131

The intangible assets acquired consist of customer relationships, which will be amortized on an accelerated basis over the useful life of ten years. The $10.1 million goodwill arises from the growth potential the Company sees for Well Services, along with expected synergies with the Company's current oilfield services businesses, and is expected to be deductible for tax purposes. The acquisition-related costs for the purchase of Well Services included in "Selling, general and administrative" expenses in the Condensed Statements of Operations were $0.2 million for the three-month period ended March 31, 2012.

Well Services' results of operations are included in the accompanying financial statements since the acquisition date. The Company is in the process of completing its assessment of the fair value of net assets acquired from this acquisition. Therefore, the fair values presented are provisional pending completion of the final valuation of the net assets.

Pro Forma Financial Information

The following pro forma financial information presents the combined results of the Company and Well Services, as if the acquisition had occurred at the beginning of the fiscal year ended December 31, 2011. Such pro forma results are not necessarily indicative of what would have actually occurred had the Well Services acquisition been in effect for the entire period. The pro forms results are as follows:

Three-month Period Ended:

	March 31, 2012	April 1, 2011
	(in thousands)	
Net revenues	$17,887	$7,721
Net (loss) income attributable to Steel Excel	$(1,177)	$3,816

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4. Stock Benefit Plans

The Company grants stock options and other stock-based awards to employees, directors and consultants under two equity incentive plans, the 2004 Equity Incentive Plan and the 2006 Director Plan. As of March 31, 2012, the Company had an aggregate of 1.8 million shares of its common stock reserved for issuance under its 2004 Equity Incentive Plan, of which 59,792 shares were subject to outstanding options and other stock-based awards and 1.7 million shares of were available for future grants of options and other stock-based awards. As of March 31, 2012, the Company had an aggregate of 0.4 million shares of its common stock reserved for issuance under its 2006 Director Plan, of which 48,069 shares were subject to outstanding options and other stock-based awards and 0.4 million shares were available for future grants of options and other stock-based awards.

Stock Benefit Plan Activities

Stock Options: A summary of option activity under all of the Company's equity incentive plans as of March 31, 2012 and changes during the three-month period then ended is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (Years)	Aggregate Instrinsic Value
Outstanding at December 31, 2011	94	$31.89		
Granted	-	$-		
Exercised	-	$-		
Forfeited	-	$-		
Expired	-	$-		
Outstanding at March 31, 2012	94	$31.89	5.44	$6,987.50
Options vested and expected to vest at March 31, 2012	84	$32.27	5.34	$3,863.69
Options exercisable at March 31, 2012	70	$32.98	5.12	$-

The aggregate intrinsic value is calculated as the difference between the closing price of the Company's common stock on the OTCQB Market and the exercise price of the underlying awards for the 3,250 shares subject to options that were in-the-money as of March 31, 2012. During both three-month periods ended March 31, 2012 and April 1, 2011, the aggregate intrinsic value of options exercisable under the Company's equity incentive plans was minimal. As of March 31, 2012, the total unamortized stock-based compensation expense related to non-vested stock options, net of estimated forfeitures was approximately $0.1 million and this expense is expected to be recognized over a remaining weighted-average period of 0.5 years.

Restricted Stock: Restricted stock awards and restricted stock units (collectively, "restricted stock") were granted under the Company's 2004 Equity Incentive Plan and the 2006 Director Plan. As of March 31, 2012, there were 947 shares of service-based restricted stock awards and 16,417 shares of restricted stock units outstanding, respectively. The cost of restricted stock, determined to be the fair market value of the shares at the date of grant, is expensed ratably over the period the restrictions lapse.

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A summary of activity for restricted stock units as of March 31, 2012 and changes during the three-month period then ended is as follows:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested restricted stock units at December 31, 2011 1	17	$0.01
Awarded	-	$-
Vested	-	$0.01
Forfeited	-	$-
Non-vested restricted stock units at March 31, 2012 1	17	$0.01

(1) Non-vested restricted stock units at each period included shares to certain non-employee directors in which vesting will occur immediately if the relationship between the Company and the non-employee director ceases for any reason. These non-vested shares were recognized and fully expensed as stock-based compensation in the Condensed Statements of Operations at the date of grant or the date of modification.

All restricted stock units were awarded at the par value of $0.001 per share (adjusted to $0.01 per share to reflect the Reverse/Forward Split). As of March 31, 2012, the total unamortized stock-based compensation expense related to non-vested restricted stock that is expected to vest, net of estimated forfeitures, was approximately $0.1 million, and this expense is expected to be recognized over a remaining weighted-average period of 0.5 years.

Stock-Based Compensation

The Company measures and recognizes stock-based compensation expense for all stock-based awards made to its employees, directors and consultants based on estimated fair values using a straight-line amortization method over the respective requisite service period of the awards and adjusted it for estimated forfeitures. In addition, the Company applies the simplified method to establish the beginning balance of the additional paid-in capital pool related to the tax effects of employee stock-based compensation, which is available to absorb tax shortfall.

Stock-based compensation expenses included in the Condensed Statements of Operations for the three-month period ended March 31, 2012 and April 1, 2011 were as follows:

	Three-month Period Ended:	
	March 31, 2012	April 1, 2011
	(in thousands)	
Stock-based compensation expense by caption:		
Selling, marketing and administrative	$25	$8
Stock-based compensation expense by award type:		
Stock options	$16	$4
Retricted stock	9	4
Total	$25	$8

The stock-based compensation expense in the above table does not reflect any significant tax expense, which is consistent with the Company's treatment of income or loss from its United States operations. For the three-month periods ended March 31, 2012 and April 1, 2011, there were no income tax benefits realized for the tax deductions from option exercises of the stock-based payment arrangements. In addition, there was no stock-based compensation costs capitalized as part of an asset in the three-month periods ended March 31, 2012 and April 1, 2011.

Valuation Assumptions

The Company uses the Black-Scholes option pricing model for determining the estimated fair value for all stock-based awards. No grants were made in the three-month periods ended March 31, 2012 and April 1, 2011 for stock options and other stock-based awards.

5. Marketable Securities

The Company’s investment policy focuses on three objectives: to preserve capital, to meet liquidity requirements, and to maximize total return. The Company’s investment policy establishes minimum ratings for each classification of investments when purchased and investment concentration is limited to minimize risk. The policy also limits the final maturity on any investment and the overall duration of the portfolio. During the three-month period ended March 31, 2012, the Company’s Board of Directors executed a written consent permitting the Company to invest up to $10 million in publicly traded companies engaged in certain oilfield servicing, energy services, and related businesses, which is an exception to our investment policy. Additional exceptions to the investment policy may be approved in the future. Given the overall market conditions, the Company regularly reviews its investment portfolio to ensure adherence to its investment policy and to monitor individual investments for risk analysis and proper valuation.

The Company’s portfolio of marketable securities at March 31, 2012 was as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(in thousands)		
Available-for-sale securities:				
Short-term deposits	$29,148	$-	$-	$29,148
United States government securities	220,580	327	(29)	220,878
Government agencies	3,503	11	-	3,514
Corporate obligations	1,506	3	-	1,509
Total available-for-sale securities	254,737	341	(29)	255,049
Amounts classified as cash equivalents	(31,036)	-	-	(31,036)
Amounts classified as marketable securities	$223,701	$341	$(29)	$224,013

The Company’s portfolio of marketable securities at December 31, 2011 was as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(in thousands)		
Available-for-sale securities:				
Short-term deposits	$3,029	$-	$-	$3,029
United States government securities	309,189	593	(3)	309,779
Government agencies	3,505	21	-	3,526
Corporate obligations	1,513	8	-	1,521
Total available-for-sale securities	317,236	622	(3)	317,855
Amounts classified as cash equivalents	(2,914)	-	-	(2,914)
Amounts classified as marketable securities	$314,322	$622	$(3)	$314,941

Sales of marketable securities resulted in gross realized gains of $0.1 million and $0.5 million during the three-month periods ended March 31, 2012 and April 1, 2011, respectively. Sales of marketable securities resulted in gross realized losses of $0.1 million during the three-month period ended April 1, 2011. The gross realized losses for the three-month period ended March 31, 2012 was immaterial.

The following table summarizes the fair value and gross unrealized losses of the Company's available-for-sale marketable securities, aggregated by type of investment instrument and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2012:

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in thousands)					
U.S. government securities	$87,152	$(30)	$-	$-	$87,152	$(30)

The following table summarizes the fair value and gross unrealized losses of the Company's available-for-sale marketable securities, aggregated by type of investment instrument and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2011:

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in thousands)					
U.S. government securities	$15,186	$(3)	$-	$-	$15,186	$(3)

The Company's investment portfolio consists of both corporate and government securities that generally mature within three years. The longer the duration of these securities, the more susceptible they are to changes in market interest rates and bond yields. As yields increase, those securities purchased with a lower yield-at-cost show a mark-to-market unrealized loss. All unrealized losses are due to changes in interest rates and bond yields. The Company has considered all available evidence and determined that the marketable securities in which unrealized losses were recorded in the three-month periods ended March 31, 2012 and April 1, 2011 were not deemed to be other-than-temporary. The Company holds its marketable securities as available-for-sale and marks them to market.

The amortized cost and estimated fair value of investments in available-for-sale securities as March 31, 2012 and December 31, 2011, by contractual maturity, were as follows:

	Cost	Estimated Fair Value
	(in thousands)	
Mature in one year or less	$215,969	$216,051
Mature after one year through three years	38,767	38,997
Total	$254,736	$255,048

6. Fair Value Measurements

Fair value is defined as the price that would be received for selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The accounting standard surrounding fair value measurements establishes a fair value hierarchy, consisting of three levels, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Financial Assets Measured at Fair Value on a Recurring Basis

The Company utilized levels 1, 2 and 3 to value its financial assets on a recurring basis. Level 1 instruments use quoted prices in active markets for identical assets or liabilities, which include the Company's cash accounts, short-term deposits and money market funds as these specific assets are liquid. Level 1 instruments also include United States government securities, government agencies, and state and municipalities, as these securities are backed by the federal or state governments and traded in active markets frequently with sufficient volume. Level 2 instruments are valued using the market approach, which uses quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities and include mortgage-backed securities, corporate obligations and asset-backed securities as similar or identical instruments can be found in active markets. Level 3 is supported by little or no market activity and requires a high level of judgment to determine fair value, which includes the Company's two venture fund investments. The Company periodically monitors its two venture capital funds and records these investments within "Other long-term assets" on the Condensed Balance Sheets based on quarterly statements the Company receives from each of the funds. The statements are generally received one quarter in arrears, as more timely valuations are not practical. The statements reflect the net asset value, which the Company uses to determine the fair value for these investments, which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. The assumptions used by the Company, due to lack of observable inputs, may impact the fair value of these equity investments in future periods. In the event that the carrying value of its equity investments exceeds their fair value, or the decline in value is determined to be other-than-temporary, the carrying value is reduced to its current fair value, which is recorded in "Interest and other income, net," in the Condensed Statements of Operations. At March 31, 2012, there were no significant transfers that occurred between any of the levels of the Company's financial assets.

A summary of financial assets measured at fair value on a recurring basis at March 31, 2012 was as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Cash, including short-term deposits 1	$43,550	$43,550	$-	$-
United States government securities 2	220,878	220,878	-	-
Government agencies 2	3,514	3,514	-	-
Corporate oligations 2	1,509	-	1,509	-
Non-controlling interests in certain funds 3	1,117	-	-	1,117
	$270,568	$267,942	$1,509	$1,117

(1) At March 31, 2012, the Company recorded $43.4 million and $0.1 million within "Cash and cash equivalents" and "Marketable securities," respectively.

(2) Recorded within "Marketable securities."

(3) Recorded within "Other long-term assets."

A summary of financial assets measured at fair value on a recurring basis at December 31, 2011 was as follows:

Quoted Prices

	Total	in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Cash, including short-term deposits 1	$8,601	$8,601	$-	$-
United States government securities 2	309,780	309,780	-	-
Government agencies 2	3,526	3,526	-	-
Corporate oligations 2	1,521	-	1,521	-
Non-controlling interests in certain funds 3	1,117	-	-	1,117
Total	$324,545	$321,907	$1,521	$1,117

(1) At December 31 2011, the Company recorded $8.5 million and $0.1 million within “Cash and cash equivalents” and “Marketable securities,” respectively.

(2) Recorded within “Marketable securities.”

(3) Recorded within “Other long-term assets.”

The Company's other financial instruments include accounts payable and accrued and other liabilities. Carrying values of these financial liabilities approximate their fair values due to the relatively short maturity of these items. The related cost basis for the Company's 3/4% Convertible Senior Notes due December 22, 2023 (the "3/4% Notes") at March 31, 2012 and December 31, 2011 was approximately $0.3 million on both dates. Although the remaining balance of its 3/4% Notes is relatively small and the market trading is very limited, the Company expects the cost basis for the 3/4% Notes of approximately $0.3 million at March 31, 2012 to approximate fair value. The Company's convertible debt is recorded at its carrying value, not the estimated fair value. The Company may seek to make open market repurchases of the remaining balance of its 3/4% Notes within the next twelve months.

Non-Financial Assets Measured at Fair Value on a Non-Recurring Basis

The Company has no non-financial assets measured at fair value on a non-recurring basis as of March 31, 2012 and December 31, 2011.

7. Long-Lived Assets

The Company regularly performs reviews of its long-lived assets to determine if facts or circumstances are present, either internal or external, which would indicate that the carrying values of its long-lived assets may not be recoverable. For more details, refer to the Summary of Significant Accounting Policies in Note 1 to the Consolidated Financial Statements in the Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Property and Equipment, Net

The components of property and equipment, net, as of March 31, 2012 and December 31, 2011 were as follows:

March 31, 2012	December 31, 2011
(in thousands)	